

(d) The term "Market Price" shall mean the average of the practical top plant delivered bid price per live cwt. at the midsession of the market for the Iowa/Southern Minnesota #1-3 Barrow/Gilt for 220-260 pound butcher hogs, as reported by the USDA Market News Service, or any replacement thereof or successor thereto, during the day of delivery. In the event there is no reporting by the USDA Market News Service for the day of delivery, then the Market Price shall be that established during the most recent USDA Market News Service report prior to the day of delivery. Notwithstanding the foregoing, Morrell reserves the right from time to time during the term of this Agreement to select any other basis for determining Market Price consistent with standards for the meat industry.

PART II. PRICE. The price payable by Morrell for Market Hogs delivered by Producer and accepted by Morrell under this Agreement shall be the price per cwt. with respect to each delivery of Market Hogs determined by Morrell taking into account the pricing components specified below:

(a) If the Market Price is equal to or less than the Contract Floor Price, then Morrell shall pay Producer the Contract Floor Price.

(b) If the Market Price is greater than the Contract Floor Price, then Morrell shall pay Producer (i) an amount equal to the Contract Floor Price plus 80% of the difference between the Market Price and the Contract Floor Price, whenever the Current Ledger Amount (as defined in Part III of this Schedule C) is less than the Maximum Ledger Amount (as defined in Part III of this Schedule C), or (ii) if clause (i) of this sentence does not apply, an amount equal to the Market Price.

(c) The amount determined by paragraph 2(a) or 2(b) above shall be increased or decreased, as the case may be, to give effect to pricing premiums or discounts specified in the John Morrell & Co. Grade & Yield Program as in effect on the delivery date. Morrell reserves the right at any time and from time to time during the term of this Agreement, including any extension or renewal thereof, to amend, supplement or otherwise modify its Grade & Yield Program for any reason it deems necessary or desirable to reflect changing market conditions or other trends in the meat industry generally.

PART III. MAINTENANCE OF LEDGER ACCOUNT. During the term of this Agreement, Morrell will maintain a separate ledger account for Producer. At the beginning of the term, such account will have a zero balance. With respect to each delivery of Market Hogs by Producer hereunder, the ledger account will be (i) increased by 20% of the aggregate amount, if any, by which the Market Price of such hogs purchased by Morrell exceeds the Contract Floor Price, or (ii) decreased by